officernd

FlexIndex

An unprecedented view of the flex space industry!

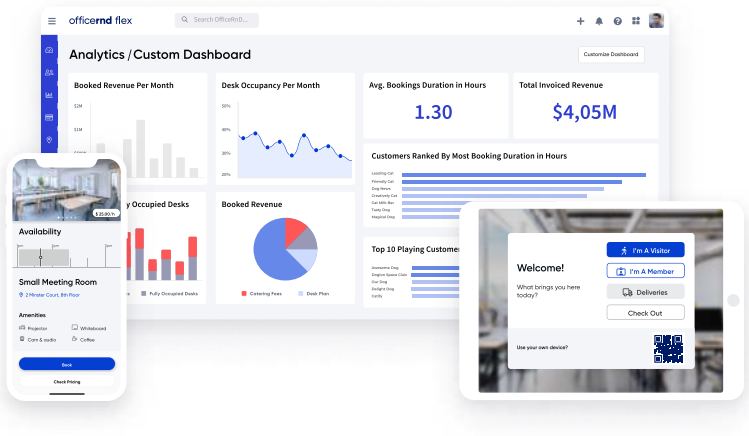
December 2021

About OfficeRnD

We're the leading provider of flex space management software for flex space and coworking operators, commercial real estate owners, and property managers all over the world.

Our platform anonymously captures, aggregates, and analyzes occupancy and booking data across shared working spaces like:

- Coworking spaces
- Serviced offices
- Executive suites
- Labs & campuses
- Accelerators and more



With this unprecedented view, we developed a new composite index, the OfficeRnD **FlexIndex.** Our goal is to provide the flex space community with visibility into the health, post-lockdown recovery, and development of the flex space market.

What is FlexIndex?

In 2019 the flex office industry was booming. As more companies shifted to a flexible working model, we saw a constant rise in desk occupancy and Revenue per Available Workspace.

But as all was going well, in March 2020, the COVID-19 pandemic struck the industry. The upward trend in flex office occupancy and revenue slowed down and a few months later fell below the monthly average for 2019.

In recent months, we've been observing signals of market recovery. Those tendencies and their combined effect on businesses inspired us to create the FlexIndex.

Brought by:

Onnik Shahinyan
Data Analyst Lead

The FlexIndex comprises 5 different components (or KPIs), with the data for them coming from over a thousand flexible spaces, located all over the world. We believe these 5 KPIs represent critical business aspects of both small and large flex operators, giving us a holistic view of the market dynamics.

The 5 selected KPIs are:

1. **Static Desk Occupancy**
2. **Revenue per Available Workspace (RevPAW)**
3. **Bookings per Meeting Space**
4. **Average Booking Duration per Paid Meeting Space**
5. **Booking Revenue per Paid Meeting Space.**

We'll go over our most important findings first and then dive deeper into each of the 5 components.

Methodology

Each KPI is reported as an indexed value using **the 2019 average monthly rates as a baseline** valued at 100. This gives us the most recent, clean data before the Global Pandemic and lets us neutralize any seasonal effects.

To make the index easier to interpret, **each KPI has a value of 1 based on the 2019 benchmark.** This gives us a **value of 5 as a baseline.**

For some of the KPIs, the data is normalized to exclude outliers and demonstrate the real trends.

In addition, our platform does have the flexibility for new customers to upload their own historical data. This could lead to minor deviations (up to 5%) in the historical trends of the FlexIndex.

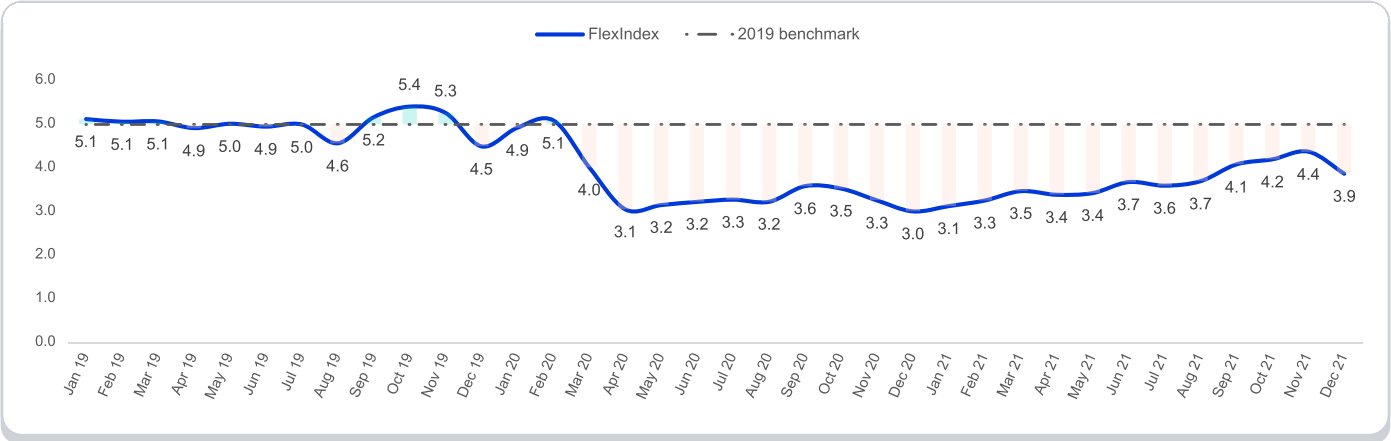
Lastly, the data comes exclusively from active OfficeRnD clients at the moment of the index calculation, who are not subject to a special exemption. We don't keep data from our former clients and their historical data isn't reflected in the index.

A Summary of Our Most Important Observations

Updated With December 2021 Data

At the start of 2021, the recovery after the global lockdowns turned into a stable, upward trend. Unfortunately, the process is still ongoing and as of December 2021, the market is below the 2019 benchmark by 22%. We expect the recovery trend to continue over the following months, but most likely, the FlexIndex will still be below the 2019 benchmark. New COVID-19 variants, like Omicron, could add more pressure on the market's recovery and thus increase the time needed to get to the 2019 benchmark.

In 2019, we saw two major downturns in booking KPIs - in **August** and **December**, due to the seasonality of bookings. In the first edition of the FlexIndex, we said it was very likely for the December decline seen in previous years to be repeated in 2021. Our latest analysis of the data confirms that expectation.



Now, here are our most important findings about the 5 FlexIndex KPIs:

- Of the 5 selected KPIs, 'Static Desk Occupancy' **is the least sensitive to the pandemic.** This KPIs degradation reached its lowest point in March 2021 when the deviation from the 2019 benchmark was ~15%. Since then, this KPI has been improving fast but is 2.4% under the 2019 monthly average as of December 2021.

- 'Revenue per Available Workspace (RevPAW)' follows a similar pattern, but with more rapid degradation. At the lowest point in March 2021, this KPI was ~24% lower than the benchmark. Since then, this KPI has been recovering and as of December 2021, is 9% under the 2019 monthly average.

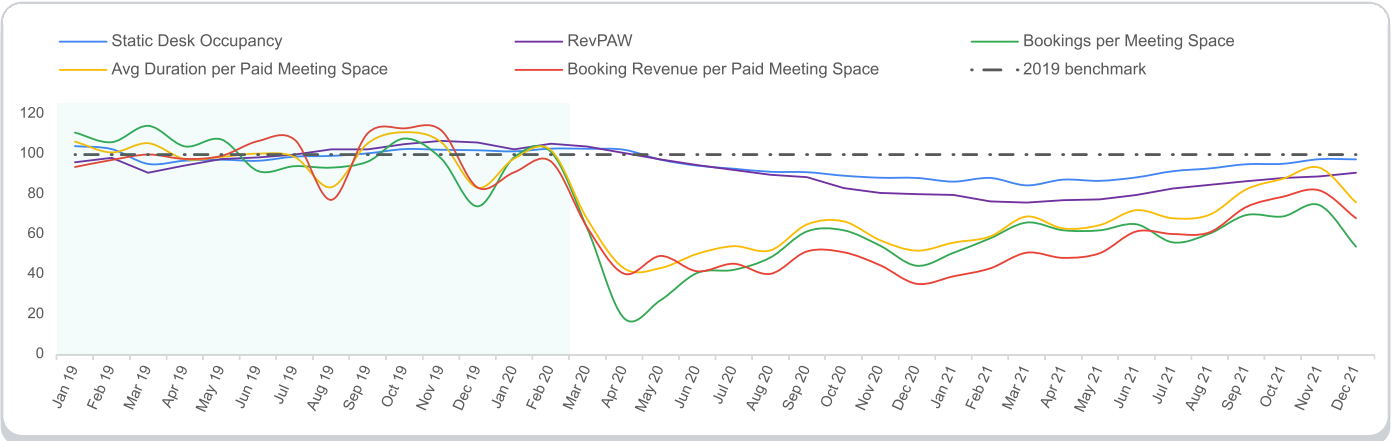
- Not surprisingly, **the pandemic's immediate impact is most visible on the bookings-related KPIs** - 'Bookings per Meeting Space' and 'Average Booking Duration per Paid Meeting Space'. Both KPIs hit the bottom in April 2020, following the global lockdowns.

- Since then both booking KPIs have slowly improved, but are far from the 2019 benchmark: as of December 2021, **'Bookings per Meeting Space' is ~46% below, while 'Average Booking Duration per Paid Meeting Space' is lagging with ~24%.**

- Prior to the Pandemic, 'Booking Revenue per Paid Meeting Space' and 'Average Booking Duration per Paid Meeting Space' had very similar tendencies. However, after May 2020, booking revenue has a higher deviation from the benchmark. In November 2021, the gap shrank a bit as 'Booking Revenue per Meeting Space' was ~19% below the baseline. But due to the holiday decline, both KPIs dropped and as of December 2021, 'Booking Revenue per Meeting Space' is 32% below.

- Among booking KPIs, there's a **cooling-off period during the summer and a more visible drop in December.** From September to November, we observed an upward trend in 2019 and 2021.

For comparison here's the monthly dynamic of all index components against the 2019 baseline.



A Closer Look at the FlexIndex Components

1 Static Desk Occupancy

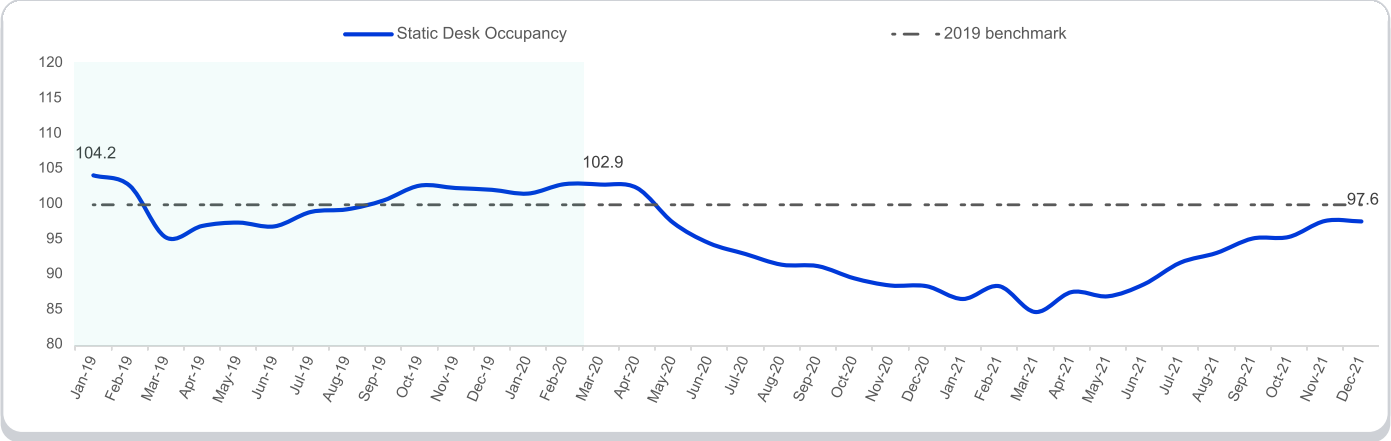
From the 5 KPIs, **'Static Desk Occupancy'**(1) is the least sensitive to the pandemic trends.

This KPI's negative trend started in May 2020, about 2 months after the first lockdowns. At the lowest point in March 2021, the deviation from the 2019 benchmark was ~15%.

Since then, this KPI is improving fast but still hasn't recovered to pre-pandemic levels. In November 2021, 'Static Desk Occupancy' was 3% under the 2019 monthly average.

December 2021 Update

Static Desk Occupancy remained stable over Q4 2021, finishing the year ~2.4% below the 2019 benchmark.



Pre-COVID, **'Static Desk Occupancy'** slowed down in Q1 2019, followed by stabilization and a slight increase in Q2 2019.

In Q1 2020 we saw the opposite trend - a slight increase followed by stabilization on a higher level compared to the previous year. We believe this was due to the increased demand for flex office spaces driven by **the market's growth** and **the hype around flexible working** in the second half of 2019.

During Q1 2021, we saw a similar pattern to Q1 2019. After the flex office market cooled off in March 2020, the known pre-pandemic business cycle happened again. We're really excited to see how **'Static Desk Occupancy'** performs in Q1 2022. A positive trend, similar to Q1 2020 could be **an early market recovery signal.**

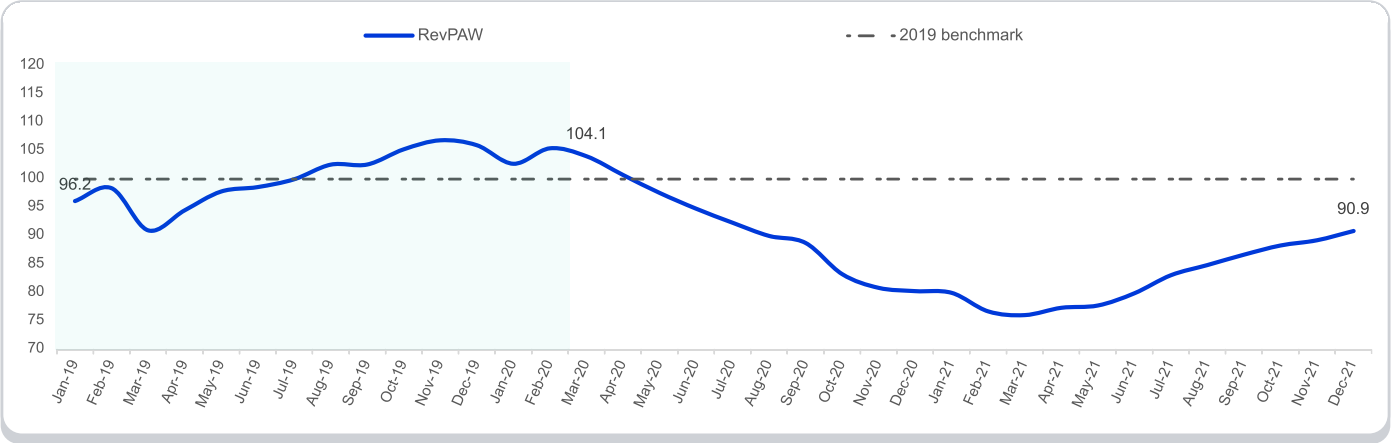
2 Revenue per Available Workspace (RevPAW)

As expected **'Revenue per Available Workspace'** (RevPAW)(2) follows a similar pattern to our first KPI. However, the declining trend for RevPAW started a bit earlier, in March 2020. The degradation was also more rapid compared to 'Static Desk Occupancy'.

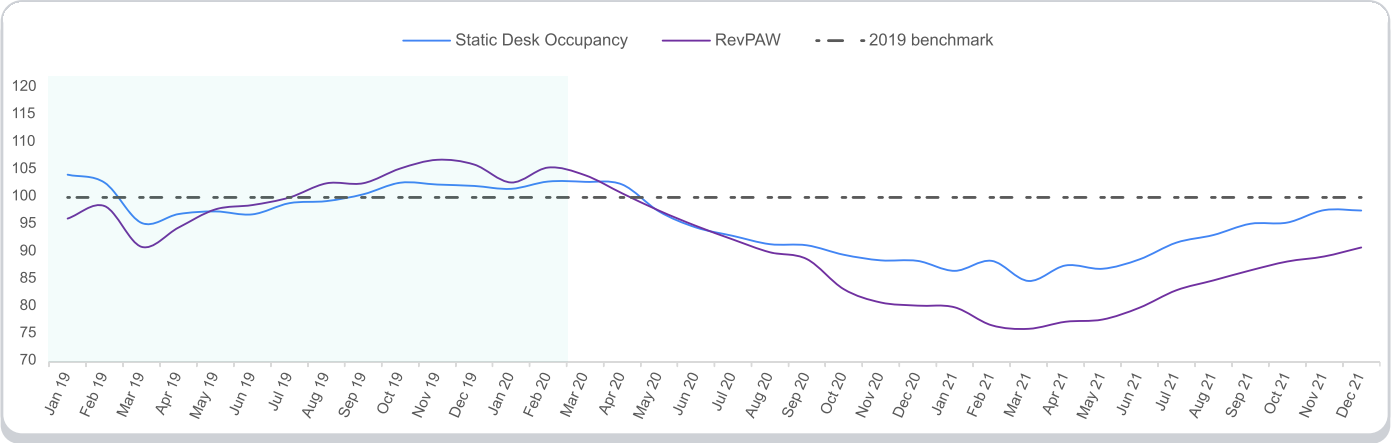
At the lowest point in March 2021, RevPAW was ~24% lower than the benchmark and since then it has constantly been improving. In November 2021, **'Revenue per Available Workspace'** was 10% under the 2019 monthly average.

December 2021 Update

Revenue per Available Workspace (RevPAW) kept the positive recovery trend and closed the year with a ~9.1% gap compared to the 2019 benchmark.



We also plotted the monthly dynamic of **'Static Desk Occupancy'** and **'RevPAW'** against the 2019 baseline for a comparison of both metrics.



Having both KPIs on the same chart reveals even more interesting insights. **'RevPAW'** grew rapidly after Q1 2019, driven by the increased demand for flex offices and the lower elasticity of the supply for flex offices. In April 2019 **'RevPAW'** rose above the 'Desk Occupancy' trend. This dynamic remained the same until the lockdowns started.

Between April and Sep 2020, both KPIs synchronized. After that, the **'Static Desk Occupancy'** KPI degradation slowed down, while the **'RevPAW'** negative trend continued. This opened a gap between both KPIs, which is still there as of the time of the index calculation. We believe this gap will be closing in 2022 but it might not disappear completely.

Our own clients confirmed this observation. **Making discounts and reducing desk prices (RevPAW) encouraged companies to retain rental contracts and keep occupancy (Static Desk Occupancy) on more predictable levels.**

For flex space operators, this strategy resulted in lower but stable income and helped them survive the pandemic. Unfortunately, some of the smaller flex operators with very few locations were pushed off the market.

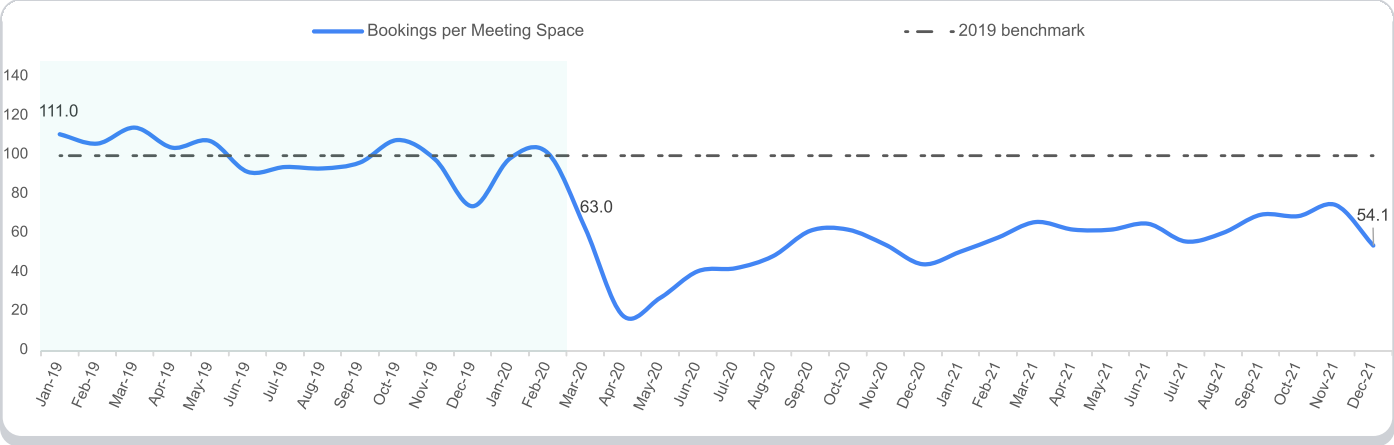
3 Bookings per Meeting Space

'Bookings per Meeting Space' is the most significantly impacted KPI by the pandemic. There was a tremendous drop in March and April 2020, following the global lockdowns.

Since then it has slowly improved, with the recovery trend accelerating in the last few months. However, **'Bookings per Meeting Space'** was still far from the 2019 benchmark, with a gap of ~26%. (3)

December 2021 Update

The December drop for Bookings per Meeting Space similar to 2019 but worse compared to 2020. This is a base effect because of lower levels in December 2020. At the end of 2021, this KPI is ~46% below the benchmark.



In April 2020, this KPI was 82% below the 2019 benchmark, clearly showing how easily this part of the flex office business can be affected by any external factors. We could consider **'Bookings per Meeting Space'** as one of the important, **early signals for the health of the flex operators' business.**

The summer effect (June to August) was also visible in 2019 and 2021. In 2019, **'Bookings per Meeting Space'** decreased 13% on average, compared to the previous 3 months (March - May). In 2021, the deviation wasn't that big, a bit less than 5%, because of the post-COVID readjustment tendency. During the same period (June to August) in 2020, we didn't observe a decreasing trend, but rather a slowing down of the recovery.

The other very clear pattern we see is in December. There's a sharp decrease compared to the previous months, even during 2020. This is anticipated behavior due to the holidays, as it was repeated in 2019, 2020 and 2021.

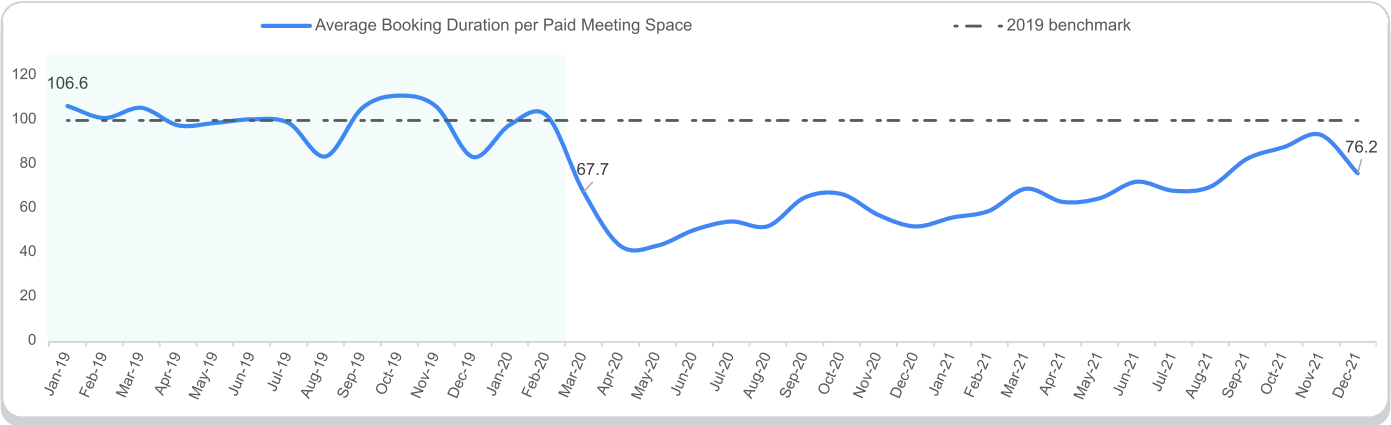
4 Average Booking Duration per Paid Meeting Space

'Average Booking Duration per Paid Meeting Space'(4) was also severely impacted by the pandemic. This KPI hit bottom in March/April 2020 and is since slowly recovering.

As of November 2021, **'Average Booking Duration per Paid Meeting Space'** was lagging with ~ 7%, relatively far from the 2019 baseline.

December 2021 Update

Similar to our previous KPI, Average Booking Duration per Paid Meeting Space also took a dip and finished the year under the 2019 benchmark by ~24%.



Logically **'Average Booking Duration per Paid Meeting Space'** follows a similar pattern to **'Bookings per Meeting Space'**. In fact, prior to March 2020, the deviation from the 2019 benchmark was almost identical for both KPIs.

However, during the pandemic, the downturn of **'Average Booking Duration per Paid Meeting Space'** wasn't that massive. For comparison, in April 2020 **'Bookings per Meeting Space'** was ~82% below the benchmark, while **'Average Booking Duration per Paid Meeting Space'** was ~56% beneath the benchmark.

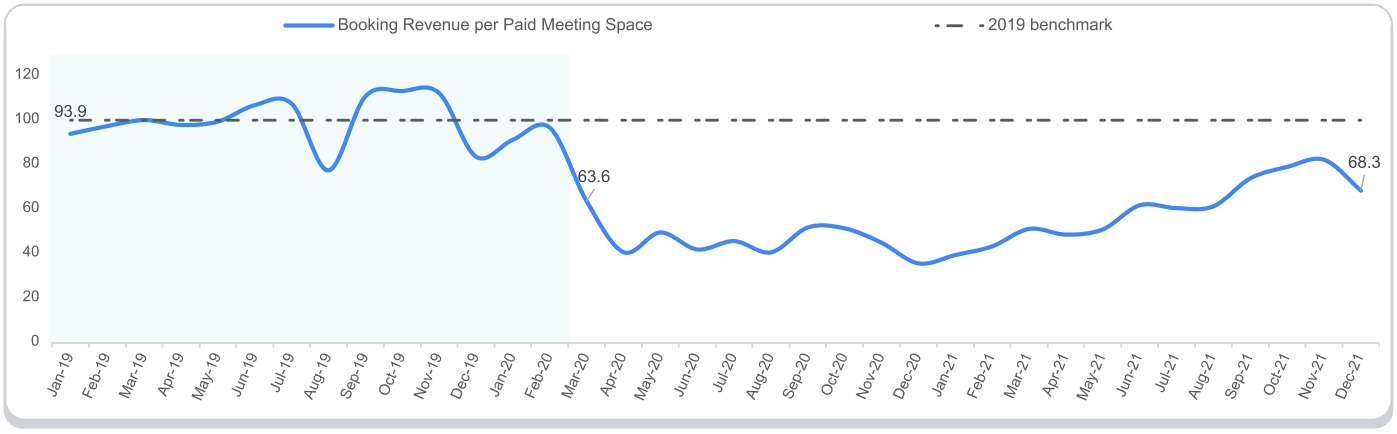
5 Booking Revenue per Paid Meeting Space

The final KPI - **'Booking Revenue per Paid Space'** -was also recovering well after its lowest point in December 2020. Prior to the pandemic, **'Booking Revenue per Paid Meeting Space'**(5) and **'Paid Booking Duration per Paid Meeting Space'** had very similar tendencies compared to the 2019 monthly average rates.

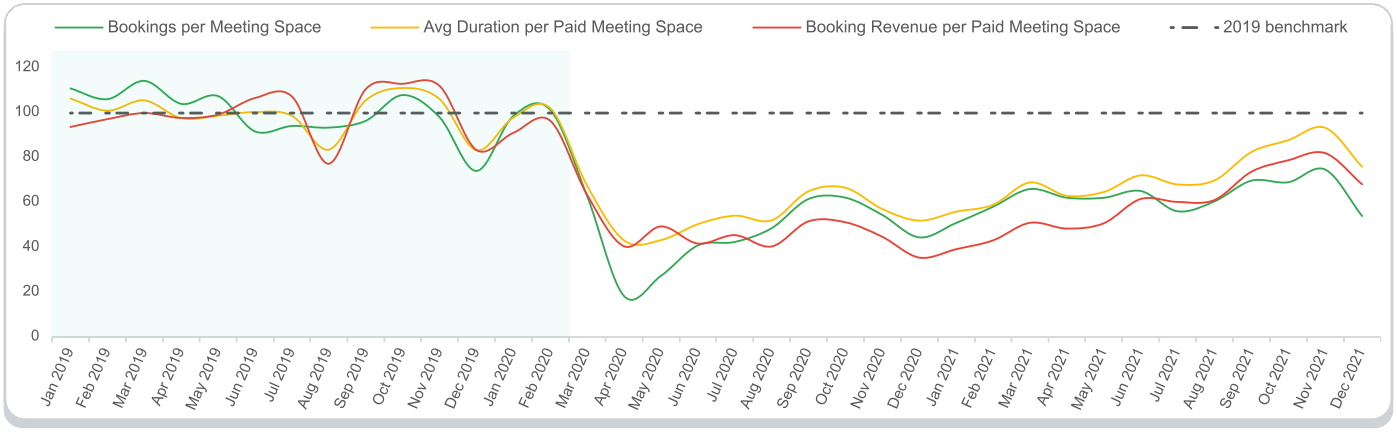
However, after May 2020, booking revenue has a higher deviation from the benchmark. In November 2021, the gap closed slightly and **'Booking Revenue per Paid Meeting Space'** was ~19% below the baseline.

December 2021 Update

For Booking Revenue per Paid Meeting Space, the December deterioration was relatively lower compared to previous years. At the end of 2021, the gap to the benchmark was ~32%.



Lastly, here's the monthly dynamic of all booking components plotted against the 2019 baseline.



Similar to **'Bookings per Meeting Space'**, seasonal patterns are observed for **'Average Booking Duration per Paid Meeting Space'** as well. Again, there's a cooling-off period during the summer and a drop in December.

After April 2020 the gap between both KPIs started to close. In the period from August 2020 to May 2021, the difference in trends for those KPIs remained relatively stable - between 5 and 9 % points.

Since June 2021 **'Average Booking Duration per Paid Meeting Space'** has been recovering faster and the gap is opening again, reaching 19% points in November 2021. This accelerating trend is another sign of the market recovery and having a positive effect on **'Booking Revenue per Paid Meeting Space'**.

A gap between 'Average Booking Duration per Paid Meeting Space' and 'Booking Revenue per Paid Meeting Space' is opening after the pandemic (similar to 'Static Desk Occupancy' and 'RevPAW'). Most likely, this is because of flex operators' price reduction, similar to the trend observed in desk occupancy KPIs. However, this gap is closing over the last few months as the paid bookings duration and the share of paid bookings from total bookings are recovering.

Our expectations for 2022

The industry's positive recovery trend slowed down at the end of 2021 due to the seasonality effect but Q1 2022 will tell us more about the market recovery's magnitude.

More and more vaccinated people will be returning to offices throughout 2022. This will boost desk occupancy, bookings, and meeting durations. Unfortunately, revenue generated from bookings and desk occupancy might still be below pre-pandemic levels, as flex operators try to retain existing clients and build long-term relationships.

New COVID-19 variants, like Omicron, could add more pressure on the market's recovery and thus increase the time needed to get back to the 2019 benchmark. We will continue to closely monitor how the core FlexIndex KPIs are affected over the upcoming months.

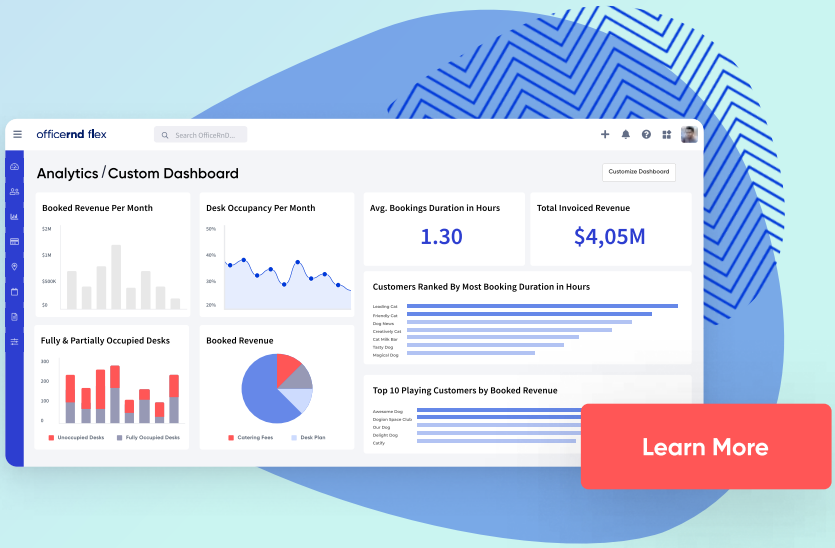
Many flex office operators might be pushed to adjust their resources and billing to meet the increased flexibility requirements, putting more emphasis on managing on-demand space. To capture these trends, **we're planning to expand the FlexIndex in the next iterations.**

We also believe that technology will play a key role in helping operators meet the rapidly changing demands of todays' world. That's why we're constantly improving **OfficeRnD Flex**. Our platform already lets operators automate administrative processes, keep track of memberships and contracts, manage meeting room bookings, automate billing and payments and much more.

Learn More

In addition, we've also started to upgrade the analytical capabilities for us and our customers. The latest addition to our analytical product portfolio is **Analytics Pro**, which helps operators harness the power of data to understand their business and make data-driven decisions.

It does that by providing access to more than **100 pre-built data visualization widgets**, which can be used to **build custom dashboards via a simple drag and drop editor.** Analytics Pro also includes 4 hours of collaboration time with our data team to build reports that can match your data requirements or existing report formats (for example, from Excel or Google Sheets).



Learn More

Appendix

1. Occupancy, in this case, refers to static occupancy which takes into consideration whether the space (private office, or a variation of a desk) is rented to a company or individual on a regular basis (monthly, yearly, etc). We're focusing only on resources marked as primary and assignable. This allowed us to filter out assets, which could be wrongly associated with desks, e.g., parking slots, lockers, warehouses. The **'Static Desk Occupancy'** KPI is calculated on the first day of each month and includes only fully occupied and fully available resources for the month.

2. For **'Revenue per Available Workspace'**, we applied the same filtering as with **'Static Desk Occupancy'** - focusing only on resources marked as primary and assignable. That way, we filtered out items possibly wrongly associated with desks, e.g., parking slots, lockers, warehouses, etc.

3. To normalize the data, only bookings with a duration between 5 minutes and 9 hours are included. We did this to exclude any outliers which could skew the data significantly. Less than 2% of both the total number of bookings and the count of unique meeting spaces are filtered, but the data accuracy is significantly improved.

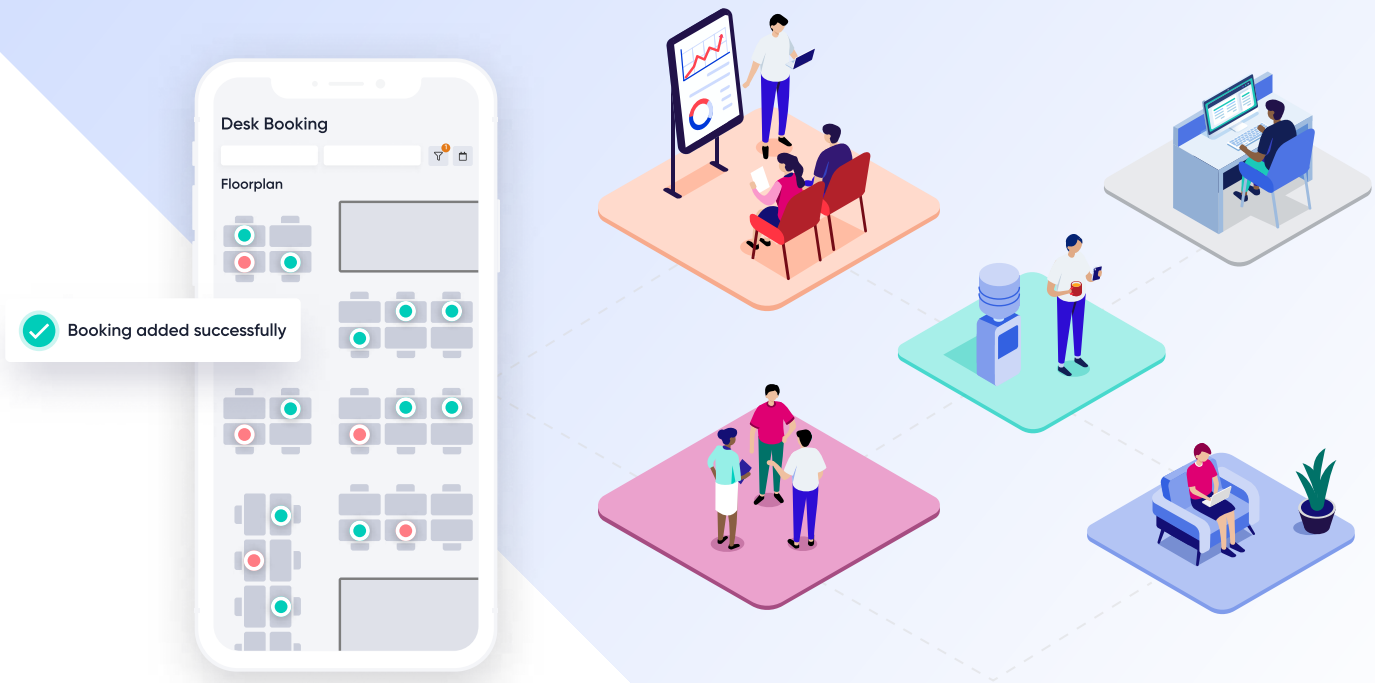
4. The data for the paid bookings is normalized. The threshold for the booking duration is between 15 minutes and 9 hours. On our platform, 15 minutes is the lowest allowed duration for a paid booking. Again, less than 2% of both the total number of bookings and the count of unique meeting spaces are filtered.

5. For consistency, the same normalization thresholds as for **'Average Booking Duration per Paid Meeting Space'** are applied. Only booking durations between 15 minutes and 9 hours are considered.

FlexIndex

Powering Flexible Working

OfficeRnD helps flex operators and hybrid teams manage the workplace of the future



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